

## Message Text

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64

ACTION ARA-17

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 EUR-25 STR-08 NIC-01

RSR-01 /181 W

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R 112141 Z APR 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 1655

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E. O. 11652: N/A

TAGS: BGEN, PINT, AR

SUBJECT: FRENTE JUSTICIALISTA CANDIDATE ATTACKS ITT SUBSIDIARY

1. BEGIN SUMMARY. FRENTE JUSTICIALISTA SENATORIAL CANDIDATE, MARCELO SANCHEZ SORONDO, CALLED A PRESS CONFERENCE ON APR 10 TO DENOUNCE ALLEGED IRREGULARITIES IN CONTRACT FOR 47 MILLION DOLLAR EXPANSION PROGRAM SIGNED IN 1968 BETWEEN ENTEL ( STATE-OWNED TELECOMMUNICATIONS COMPANY) AND STANDARD ELECTRIC ARGENTINA, AN ITT SUBSIDIARY. END SUMMARY.

2. ON APR 10 DR MURCELO SANCHEZ SORONDO, FRENTE JUSTICIALISTA DE LIBERACION ( FJL) SENATORIAL CANDIDATE IN THE FEDERAL CAPITAL, CONVOKED A PRESS CONFERENCE TO DENOUNCE THE " SCANDALOUS DEEDS" OF MULTINATIONAL CORPORATIONS OPERATING IN ARGENTINA AND, MORE SPECIFICALLY, STANDARD ELECTRIC ARGENTINA, AN ITT SUBSIDIARY. THE CANDIDATE THEN PROCEEDED TO LIST SEVERAL ALLEGED IRRGEULARITIES IN THE FULFILLMENT OF A 1968 CONTRACT WORTH AN ESTIMATED 47 MILLION DOLLARS WHICH WAS SIGNED BETWEEN ENTEL, STANDARD ELECTRIC ARGENTINA, AND SIEMENS ARGENTINA ( A SUBSIDIARY OF A GERMAN- BASED FIRM). THE CONTRACT COVERED AN EXTENSIVE EXPANSION OF SERVICES PROGRAM PLANNED BY ENTEL.

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3. THE CANDIDATE'S ACCUSATIONS AGAINST STANDARD ELECTRIC INCLUDED AMONG OTHERS: 1) THE PURCHASING OF EQUIPMENT FROM ITT'S OWN SUBSIDIARIES IN BRAZIL AND SPAIN, 2) THE ATTEMPTED DOUBLE INVOICING OF EQUIPMENT PROVIDED TO ENTEL, AND 3) THE RE-EXPORTATION OF EQUIPMENT TO TAKE ADVANTAGE OF REBATES GIVEN BY THE GOA FOR THE EXPORTATION OF NON-TRADITIONAL PRODUCTS.

4. SANCHEZ SORONDO CLOSED HIS REMARKS BY VOWING, IF ELECTED, TO SET UP A SPECIAL SENATE COMMITTEE TO INVESTIGATE THE CHARGES. HE STATED THAT SUCH A COMMITTEE SHOULD SOLICIT REPORTS OF THE INVESTIGATIONS NOW BEING CARRIED OUT BY THE US SENATE INTO ITT ACTIVITIES IN CHILE AND ELSEWHERE, AND SHOULD SUBPONEA ALL CONCERNED OFFICIALS OF THE PRESENT GOVERNMENT, ENTEL, AND STANDARD ELECTRIC.

5. COMMENT. PRESS CONFERENCE IS NONE TOO SUBTLE PLOY BY SANCHEZ SORONDO, WHO IS IN THE MIDST OF A RUNOFF BATTLE, TO TAKE ADVANTAGE OF CURRENT INTERNATIONAL PUBLICITY CONCERNING ALLEGED ITT ACTIVITIES IN CHILE. STANDARD ELECTRIC OFFICIALS ARE QUOTED IN PRESS AS STUDYING THE CANDIDATE'S CHARGES FOR A POSSIBLE REPLY. HOWEVER, THEY HAVE INDICATED PRIVATELY SEVERAL TIMES TO EMBOFFS THEIR SIDE OF STORY BE EXPRESSING THEIR OWN UNHAPPINESS OVER THE ENTEL CHALLENGES OVER TERMS OF THE CONTRACT, THE FAILURE OF ENTEL TO FULFILL ITS COMMITMENTS (INCLUDING FAILURE TO PAY AS AGREED FOR DELIVERIES), AND EXTRAORDINARY REQUIREMENTS LEVIED ON COMPANY BY ENTEL AND GOA. ONE EXAMPLE OF LATTER IS MAINTAINING SOME NOW UNNEEDED EXTRA WORKERS ON COMPANY PAYROLL TO AVOID POSSIBLE LABOR STRIFE. EXPECTED SCRUTINY OF ACTIVITIES OF MULTINATIONAL CORPORATIONS UNDER NEXT GOVT MAY WELL BEGIN WITH ITT, WHOSE LOCAL INTERESTS INCLUDE NEW SHERATON HOTEL. LODGE

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\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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